GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:7907
ANSWERED ON:17.05.2002
URBAN COOPERATIVE BANKS
VILAS BABURAO MUTTEMWAR

Will the Minister of FINANCE be pleased to state:

(a) whether action has been taken against 23 urban cooperative banks for routing Jarge securities through the brokers;

(b) if so, the names of these banks;

(c) the guidelines issued by the Government in this regard; and

(d) the amount of brokerage paid by each bank over and above the prescribed limit? .

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE,(SHRI CINGEE N. RAMACHANDRAN)

(a) & (b): Reserve Bank of India (RBI) has reported that it has taken action against 4 Urban Co-oeperative Banks (UCBs) ir Maharashtra and 8 UCBs in Gujarat. In view of irregularitiesnoticed, RBI has taken action like requisitioning supercession of bQard of directors, calling explanations, ordering special audits, etc. Criminal cases have also been filed by State Governments. The names of these banks are given in Annexure;

(c): RBI has reported that it has issued guidelines to UCBs on the conduct of investmentportfolio. The guidelines envisage transactions through brokers, Subsidiary General Ledger

(SCL) facility, issue of Bank receipts, internal control systems, audit and review systems, etc. Each bank is required to formulate an investment policy, with the approval of its Board. Banks have been advised not to issue Bank Receipts under any circumstances, in respect of transactions in Government securities for which SGL facility is available. The procedure forundertaking transactions in Government securities have also been laid out. With a view toensuring that a disproportionate volume of transactions is not routed through one or a few brokers, 9 prudential ceiling of 5% of the total transactions has been prescribed for routing transactions through an individual broker. The UCBs have also been advised that beforeconcluding any deal for purchase/ sale of securities, they should ensure the ability of the counterparty to fulfill the contract and that in all security dealings, payments should be released only on getting written confirmation from the counterparty.

(d): RBI has reported that information in this regard is not available.

Annexure
BANKS AGAINST WHOM ACTION WAS TAKEN BY RESERVE BANK OF INDIA

MAHAHASHTRA

1. Sadguru Jangli Maharaj UCB

2. Amravati Peoples Co-operative UCB

3. Swarnayug UCB

4. Raghuvanshi UCB

GUJARAT

1. Gandevi People`s Coop. Bank Ltd.

2.Surat Nagarik Sah. Bank Ltd.

3.Adajan Nag. Sah. Bank Ltd. Surat

4.Surat Mahjla Nag. Sah. Bank Ltd.

5. Karamsad Urban Co-op. Bank Ltd.

6. Navasari Peoples Co-op. Bank Ltd.

7. Udhna Citizen Co-op. Bank Ltd., Surat

8. Sheth B.P. Shroff Bulsar Peoples Co-op. Bank Ltd., Valsad